

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2027 – SB 2415

April 23, 2014

SUMMARY OF ORIGINAL BILL: Establishes a satellite location license for the purpose of authorizing currently licensed wineries to establish up to two satellite locations to provide free samples and sell wine and other legally permissible items. Establishes a new small winery wholesaler license for the purpose of authorizing wineries producing up to 50,000 gallons per year to sell and transport up to 3,000 cases of wine to any establishment licensed to serve wine for consumption on-premises and to retail package stores authorized to purchase wine.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$2,700/One-Time/ABC Fund
\$1,400/Recurring/ABC Fund

SUMMARY OF AMENDMENTS (013134, 016093, 016134, 016306):

Amendment 013134 deletes all language after the enacting clause. Authorizes a winery or farm wine producer to establish up to two satellite locations to provide samples and sell wine and other legally permissible items. Authorizes licensed wineries to donate wine without charge to nonprofit religious, educational or charitable institutions or associations. Deletes size limitations on samples that were found in the original bill. Deletes the current law prohibition on consumption of wine sold in sealed containers on the premises of the farm.

Amendment 016093 adds language that authorizes the Alcoholic Beverage Commission (ABC) to refuse to issue or renew a license or permit if the business has not demonstrated the financial capacity to operate the business. Requires payments to wholesalers to be made in a manner that facilitates full payment at or near the time of delivery. Establishes certain guidelines related to on premise sales and provision of samples by a manufacturer or distiller. Authorizes non-profit organizations organized to encourage and support the use of alcoholic beverages to hold up to 15 alcoholic beverage festivals each year. Such festivals could be held in any municipality or county having approved the sale of alcoholic beverages or any municipality or county having a licensed manufacturer of alcoholic beverages. Additionally, such events could be held in any other municipality or county whose legislative body approved the event. Events would be limited to a maximum duration of 72 hours and would be subject to the issuance of a special occasion license.

Amendment 016134 requires any payment for sales made to a licensee by a wholesaler to be made in a manner approved by the ABC that facilitates full payment at or near the time of product delivery.

Amendment 016306 corrects a typographical error found in amendment 016134.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

**Increase State Revenue - \$1,800/One-Time/ABC Fund
\$1,900/Recurring/ABC Fund**

Assumptions for the bill as amended:

- It is assumed that three wineries (one in each grand division) will license two satellite locations in the first year; but afterwards, the number of satellite locations remains relatively constant at six per year.
- There is a one-time fee of \$300 and an annual fee of \$150 for each satellite location.
- There will be a one-time increase in state revenue to the ABC Fund of \$1,800 (\$300 x 3 wineries x 2 satellites) and a recurring increase in state revenue to the ABC Fund of \$900 (\$150 x 3 wineries x 2 satellites) associated with the satellite location licenses.
- It is assumed that at least 10 special occasion licenses would be issued for alcoholic beverage festivals each year.
- The cost of each special occasion license is \$100. Therefore, there will be a recurring increase in state revenue to the ABC Fund of \$1,000 (10 x \$100).
- Based upon information provided by the ABC, there will be no fiscal impact to the ABC associated with such festivals.
- Any increase in state or local tax collections associated with the bill is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/cce